



Mfolozi Local Municipality
Annual Financial Statements
for the year ended 30 June 2013

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

General Information

Executive Mayor	SW Mgenge
Executive Committee	SK Ngema ME Ntshangase FPB Mpungose ZD Mfusi BT Mnqayi FM Thusi
Chief Finance Officer (CFO)	JV Nkosi
Accounting Officer	K.E Gamede
Registered office	25 Bredelia Street Kwambonambi KZN 3915
Postal address	P.O Box 96 Mbonambi 3915
Bankers	ABSA Bank
Auditors	Auditor-General
Telephone	(035) 580-1421
Fax number	(035) 580-1141
E-mail Address (Accounting Officer)	gamedeke@mbonambi.co.za

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendix B: Analysis of Property, Plant and Equipment

Appendix B: Segmental analysis of Statement of Financial Performance

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 34, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

K.E Gamede
Municipal Manager



Report of the Auditor General

To the Provincial Legislature of Mfolozi Local Municipality
Report on the financial statements

Auditor-General

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in municipal services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Subsequent events

Contracts for both Section 56 and 57 (Municipal Systems Act) managers expired after the end of the financial year. The municipal manager left the municipality and all those senior manager posts are occupied on an acting basis.

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Statement of Financial Position

Figures in Rand	Notes	2013	2012 Restated
Assets			
Current Assets			
Trade and other receivables from Exchange Transactions	5	4 836 000	1 685 834
Payment Received in Advance	6	377 888	541 691
VAT receivable	7	1 130 566	978 058
Cash and cash equivalents	8	845 719	200 120
Total Current Assets		7 190 173	3 405 703
Non-Current Assets			
Property, plant and equipment	2	72 007 584	61 504 534
Intangible assets	3	141 957	141 957
		72 149 541	61 646 491
Total Assets		79 339 714	65 052 194
Liabilities			
Current Liabilities			
Finance Lease Obligation	9	284 915	126 180
Trade and other payables	11	16 362 704	24 185 121
Unspent conditional grants	10	11 224 680	2 088 091
Total Current Liabilities		27 872 299	26 399 392
Non-Current Liabilities			
Finance Lease Obligation	9	615 699	263 334
Total Liabilities		28 487 998	26 662 726
Net Assets		50 851 716	38 389 468
Net Assets			
Accumulated surplus		50 851 716	38 389 468
		50 851 716	38 389 468
Total Net Assets		50 851 716	38 389 468

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Statement of Financial Performance

Figures in Rand		2013	2012 Restated
Revenue			
Property rates	13	5 229 884	5 064 819
Service charges	14	239 503	218 465
Rental of facilities and equipment		82 303	119 091
Investment Income		622 811	416 561
Fines		348 653	133 000
Government grants & subsidies	15	56 054 730	59 874 582
Other Income		155 850	330 340
Provision for Bad Debts movements		1 036 122	-
Total Revenue		63 769 856	66 156 858
Expenditure			
Personnel	17	(17 312 356)	(16 183 639)
Remuneration of councillors	18	(6 393 357)	(6 060 311)
Depreciation and amortisation		(3 380 301)	(15 997 834)
Finance costs	19	(82 357)	(495 381)
Provision for bad debts movement		-	(2 038 474)
Repairs and maintenance		(3 072 422)	(1 769 061)
Contracted services	21	(860 358)	(545 234)
Grant Expenditure		-	(45 000)
General Expenses	16	(20 206 457)	(19 453 511)
Total Expenditure		(51 307 608)	(62 550 976)
Surplus for the year		12 462 248	3 605 882

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Balance at 01 July 2011		32 787 582	32 787 582
Surplus for the year		3 605 882	3 605 882
Correction of an error		27 275	27 275
Opening balance as previously reported		36 420 739	36 420 739
Adjustments			
Correction of errors	26	1 968 729	1 968 729
Balance at 01 July 2012 as restated		38 389 468	38 389 468
Surplus for the year		12 462 248	12 462 248
Balance at 30 June 2013		50 851 716	50 851 716

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Annual Financial Statements for the year ended 30 June 2013

Cash Flow Statements

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		4 032 330	5 428 088
Grants		65 191 317	58 845 000
Other receipts		529 648	300 333
Total receipts		69 753 295	64 573 421
Payments			
Employee costs		(23 705 713)	(21 675 996)
Suppliers		(35 779 820)	(24 851 058)
Finance costs		(82 357)	(495 381)
Total payments		(59 567 890)	(47 022 435)
Net cash flows from operating activities	22	10 185 405	17 550 986
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(10 241 547)	(19 724 754)
Increase on the Finance Leased Assets	2	701 741	389 515
Other movements		-	1 996 004
Other cash item		-	182 548
Net cash flows from investing activities		(9 539 806)	(17 156 687)
Net increase/(decrease) in cash and cash equivalents		645 599	394 299
Cash and cash equivalents at the beginning of the year		200 120	(194 179)
Cash and cash equivalents at the end of the year	8	845 719	200 120

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board

1.1 Grap Standards Summary

Applicable Standards

GRAP 1	- Presentation of Financial Statement
GRAP 2	- Cash Flow Statement
GRAP 3	- Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	- The Effects of Changes in Foreign Exchange Rates
GRAP 5	- Borrowing Costs
GRAP 6	- Consolidated and Separate Financial Statements
GRAP 7	- Investments in Associates
GRAP 8	- Investments in Joint Ventures
GRAP 9	- Revenue from Exchange Transactions
GRAP 10	- Financial Reporting in Hyperinflationary Economies
GRAP 11	- Construction Contracts
GRAP 12	- Inventories
GRAP 13	- Leases
GRAP 14	- Events After the Reporting Date
GRAP 16	- Investment Properties
GRAP 17	- Property, Plant and Equipment
GRAP 19	- Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	- Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	- Agriculture
GRAP 102	- Intangible Assets

1.2

Presentation Currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality

Going Concern Assumption

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and Impairments

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure Assets	-
Infrastructure	
• Roads and paving	30
• Stormwater Drainage	20
Community	
• Buildings	30
• Recreational facilities	20-30
• Security - fencing	5
• Community Halls	30
• Libraries	30
• Parks and Gardens	10
• Finance Lease Assets	
• Office Equipment	4
Other assets	
• Buildings	30
• Specialised vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	5
• Landfill Sites	15
• Emergency equipment	7
• Computer equipment	3

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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Accounting Policies

1.4 Intangible assets (continued)

Mfolozi Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Item	Useful life
Computer software, other	5 years

1.5 Financial instruments

Initial Recognition

Financial instruments are initially recognised at fair value.

Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less than 30 days. No provision is made for them.

Category B are those who are irregular payers, and the debts are more than 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

Financial Liabilities: Account Payables

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in cash and other cash equivalents.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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Accounting Policies

1.7 Investment Properties

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period

1.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.9 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.
After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
>the amount that would be recognised as a provision; and
>the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

1.10 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.
Interest revenue is recognised on a time proportion basis.
Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.
Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.
Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue From Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.
Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.
Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.
Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.11 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.13 Retirement Benefits

Post Retirement

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Accounting Policies

1.15 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.19 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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2. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 404 853	-	10 404 853	10 404 853	-	10 404 853
Buildings	7 385 974	(3 185 100)	4 200 874	7 385 974	(2 938 901)	4 447 073
Leased-Office equipment	1 174 323	(264 382)	909 941	472 582	(98 408)	374 174
Infrastructure	19 693 939	(7 918 522)	11 775 417	16 841 180	(7 238 012)	9 603 168
Community	34 551 621	(12 430 913)	22 120 708	27 170 208	(11 269 397)	15 900 811
Other property, plant and equipment	7 668 773	(5 570 046)	2 098 727	7 132 557	(4 443 944)	2 688 613
Assets under construction	20 497 064	-	20 497 064	18 085 842	-	18 085 842
Total	101 376 547	(29 368 963)	72 007 584	87 493 196	(25 988 662)	61 504 534

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	10 404 853	-	-	-	10 404 853
Buildings	4 447 073	-	-	(246 199)	4 200 874
Leased-Office equipment	374 174	701 741	-	(165 974)	909 941
Infrastructure	9 603 168	-	2 852 760	(680 510)	11 775 418
Community	15 900 810	-	7 381 414	(1 161 516)	22 120 708
Other property, plant and equipment	2 688 613	536 216	-	(1 126 102)	2 098 727
Assets under construction	18 085 842	12 645 396	(10 234 174)	-	20 497 064
	61 504 533	13 883 353	-	(3 380 301)	72 007 585

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Land	10 404 853	-	-	10 404 853
Buildings	4 957 522	-	(510 449)	4 447 073
Office equipment	-	472 582	(98 408)	374 174
Infrastructure	14 132 458	-	(4 529 290)	9 603 168
Community	24 739 852	457 042	(9 296 084)	15 900 810
Other assets	3 521 907	709 288	(1 542 582)	2 688 613
Other property, plant and equipment # 4	-	18 085 842	-	18 085 842
	57 756 592	19 724 754	(15 976 813)	61 504 533

3. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	162 978	(21 021)	141 957	104 489	-	104 489

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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3. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Opening balance	Total
Computer software, other	141 957	141 957

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	104 488	58 490	(21 021)	141 957

4. Payments Received in Advance

Advance	-	645 673
Terms and conditions		

5. Trade and other receivables from Exchange Transactions

Trade debtors	5 644 302	3 530 257
Provision for Bad debts	(1 002 353)	(2 038 474)
Other debtors from Exchange Transactions	194 051	194 051
	4 836 000	1 685 834

Summary of Debtors by Customer Classification

Consumers	1 217 641	3 530 257
Industrial / Commercial/Farmers	1 590 643	-
National and Provincial Government	2 836 018	-
Other Debtors	194 051	194 051
Less : Provision for Bad Debts	(1 002 353)	(2 038 474)
	4 836 000	1 685 834

Trade and other receivables by Category

Rates	-	1 491 783
Other Debtors	194 051	194 051

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Current (0-30 days)	419 860	719 873
30 to 60 days	285 781	213 506
61 to 90 days	252 603	204 855
91 to 120 days	2 961 511	2 632 646

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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5. Trade and other receivables from Exchange Transactions (continued)

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R 1 002 353 (2012: R 2 837 500) were impaired and provided for.

The amount of the provision was R 1 002 353 as of 30 June 2013 (2012: R 2 038 474)

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(2 038 474)	(2 038 474)
Unused amounts reversed	1 036 122	-
	(1 002 352)	(2 038 474)

6. Payment Received in Advance

Payment Received in advance	377 888	541 691
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7. VAT receivable

VAT	1 130 566	978 058
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The VAT is payable or claimable on receipts basis . VAT is paid over or claimed at SARS only once the payment is received from debtors.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash and Bank	841 769	199 706
Traffic fines account	3 950	414
	845 719	200 120

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	
ABSA BANK - Account Type - Cheque-40-5385-7155	837 333	207 842	-	841 769	199 435
ABSA BANK - Account Type- Housing 40-5905-5268	-	414	-	-	-
ABSA BANK - Account Type - Traffic - 40-7854-4599	3 950	9 845	-	3 950	414
ABSA BANK - Account Type Traffic- 40-6506-2322	-	271	-	-	271
Total	841 283	218 372	-	845 719	200 120

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
9. Finance Lease Obligation		
Minimum lease payments due		
- within one year	353 498	154 448
- in second to fifth year inclusive	691 613	292 667
	1 045 111	447 115
less: future finance charges	(144 497)	(57 601)
Present value of minimum lease payments	900 614	389 514
Present value of minimum lease payments due		
- within one year	284 915	126 180
- in second to fifth year inclusive	615 699	263 334
	900 614	389 514

The finance leases have a fixed interest rate of 9% and the average life of the leases is 24 to 60 months . There are no securities in regards to the leases.

10. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG grant	8 531 724	372 594
MAP - admin capacity	-	804 149
Map - salgina crescent	-	842 680
Housing grant	33 795	33 795
MFMA Grant	-	34 873
Beach Access Upgrade	913 725	-
IDP	129 117	-
Development Planning and Shared Services	371 319	-
Small Town Rehabilitation	570 000	-
Sports and Recreation	675 000	-
	11 224 680	2 088 091

Movement during the year

Balance at the beginning	2 088 091	4 735 482
Additions during the year	65 191 317	20 965 000
Income recognition during the year	(56 054 728)	(23 612 391)
	11 224 680	2 088 091

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited;Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 15 for reconciliation of grants from National/Provincial Government.

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
11. Trade and other payables		
Trade payables	9 117 458	9 405 802
Leave and bonus accrual	683 792	683 792
Other creditors	6 561 455	14 095 525
	16 362 704	24 185 121
Other creditors balance is made out of :		
Payroll creditors	463 543	8 080 001
Sale of land deposits	5 920 000	5 920 000
VAT accrued on debtors and other	177 912	95 524
	6 561 455	14 095 525
12. Revenue from Exchange Transactions		
Property rates	5 229 884	5 064 819
Refuse removal	239 503	218 465
Rental of facilities & equipment	82 303	119 091
Interest received	622 811	416 561
Fines	348 653	133 000
Government grants & subsidies	56 054 730	59 874 582
Sundry Income	155 850	330 340
	62 733 734	66 156 858
13. Property rates		
Rates received		
Property Rates Levied	5 229 884	8 594 277
Less: Income forgone	-	(3 529 458)
	5 229 884	5 064 819
Valuations		
Residential	22 885 000	22 885 000
Commercial	937 600	937 600
State	75 877 575	75 877 575
Municipal (Ngonyama Trust)	38 604 000	38 604 000
Agriculture	136 436 000	136 436 000
	274 740 175	274 740 175
14. Service charges		
Refuse removal	239 503	218 465

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
15. Government grants and subsidies		
Equitable share	42 310 000	37 880 000
MFMA	-	1 415 127
MSIG	10 198 870	790 000
MIG	-	15 236 199
FMG grant	1 534 873	-
Library Grant	177 000	168 573
MAP Grant	1 646 829	4 384 683
Beach Access Upgrade Grant	86 275	-
IDP Grant	70 883	-
Small Town Rehabilitation	30 000	-
	56 054 730	59 874 582
MIG grant		
Balance unspent at beginning of year	372 594	1 133 993
Current-year receipts	17 558 000	14 475 000
Conditions met - transferred to revenue	(9 398 870)	(15 236 399)
	8 531 724	372 594
Conditions still to be met - remain liabilities (see note 10).		
FMG Grant		
Balance unspent at beginning of year	34 873	-
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 534 873)	(1 415 127)
	-	34 873
Conditions still to be met - remain liabilities (see note 10).		
MAP - admin capacity		
Balance unspent at beginning of year	804 149	54 149
Current-year receipts	-	750 000
Conditions met - transferred to revenue	(804 149)	-
	-	804 149
Conditions still to be met - remain liabilities (see note 10).		
MAP - saligina crescent		
Balance unspent at beginning of year	842 680	1 727 363
Current-year receipts	-	3 500 000
Conditions met - transferred to revenue	(842 680)	(4 384 683)
	-	842 680
Conditions still to be met - remain liabilities (see note 10).		
Housing grant		
Balance unspent at beginning of year	33 795	1 819 977
Other-prior year adjustments	-	(1 786 182)

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
15. Government grants and subsidies (continued)		
	33 795	33 795
MSIG Grant		
Current-year receipts	800 000	750 000
Conditions met - transferred to revenue	(800 000)	(750 000)
	-	-
Beach Access Upgrade		
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(86 275)	-
	913 725	-
IDP Grant		
Current-year receipts	200 000	-
Conditions met - transferred to revenue	(70 883)	-
	129 117	-
Development Planning and Shared Services		
Current-year receipts	371 319	-
Small Town Rehabilitation Grant		
Current-year receipts	600 000	-
Conditions met - transferred to revenue	(30 000)	-
	570 000	-
Sports and Recreation Grant		
Current-year receipts	675 000	-
Library Grant		
Current-year receipts	177 000	-
Conditions met - transferred to revenue	(177 000)	-
	-	-

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
16. General expenses		
Audit committee	40 924	38 628
Advertising	387 371	251 258
Auditors remuneration	1 289 082	1 566 910
Bank charges	86 733	108 769
Cleaning	81 218	413 893
Poverty alleviation	345 816	571 061
Internal audit	892 861	774 494
Professional fees	2 902 520	3 828 894
Stores and material	-	32 762
Publicity	44 300	107 350
Mayoral cup	-	150 620
Entertainment & receptions	204 964	180 334
Zulu dance	-	110 440
Mayoral project	1 375 266	548 735
Purchase of books	20 216	15 362
Insurance	264 169	255 687
Community development and training	311 980	-
Conferences and seminars	23 538	181 612
Street lighting	328 884	527 029
Legal fees	46 688	89 227
Rent - vehicles	364 863	612 498
Rent - copier	479 903	267 419
Traffic Management Fees	173 256	639 395
Medical examinations	3 342	6 368
Fuel and oil	773 990	596 484
Small tools	16 124	51 778
Postal services	17 578	15 395
Printing and stationery	951 955	512 905
Protective clothing	-	21 363
Licenses	13 674	4 023
Refreshments - council	292 643	218 083
Refreshments	160 737	123 580
Levies & membership fees	409 667	127 602
Telephone	965 399	882 803
Training	788 145	139 196
Subsistence and travelling	908 271	1 117 768
Youth skills	-	27 000
Land Usage Management System	602 591	-
Electricity and water services	1 145 054	1 588 523
Sanitation	404 142	237 767
Uniforms and protective clothing	191 635	31 528
Archiving	127 085	23 780
Bursaries	191 051	531 978
Community bursaries	797 882	202 763
Disaster fund	978 953	811 489
HIV awareness campaign	111 715	41 655
IDP operating projects	30 750	190 534
LED	492 765	141 220
Grants & donations	161 100	165 915
Sundries	5 657	17 393
KwaNaloga games	-	352 241
	20 206 457	19 453 511

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
17. Employee related costs		
Basic	11 219 603	10 634 951
Bonus	679 122	589 541
Medical aid - company contributions	821 009	703 909
SDL	200 617	185 977
Other payroll levies	1 584 672	1 191 209
Leave pay provision charge	-	34 773
Relief and overtime payments	732 782	733 044
Night allowances	100 602	104 828
Travel allowance	1 427 360	1 605 192
Housing benefits and allowances	42 696	40 240
Funeral scheme	122 672	59 917
Group life insurance	278 922	213 781
Unemployment insurance	96 831	82 673
Bargaining council	5 468	3 604
	17 312 356	16 183 639
Remuneration of municipal manager		
Annual Remuneration	118 750	676 475
Car Allowance	39 583	289 918
Contributions to UIF, Medical and Pension Funds	1 822	1 497
Acting Allowance	197 553	-
	357 708	967 890
Remuneration of chief finance officer		
Annual Remuneration	569 574	574 514
Car Allowance	142 393	143 628
Contributions to UIF, Medical and Pension Funds	7 481	1 497
	719 449	719 639
Remuneration of corporate services director		
Annual Remuneration	569 574	574 514
Car Allowance	142 393	143 628
Contributions to UIF, Medical and Pension Funds	7 923	1 497
	719 890	719 639
Remuneration of technical services director		
Annual Remuneration	569 574	574 514
Car Allowance	142 393	143 628
Contributions to UIF, Medical and Pension Funds	7 414	1 497
	719 381	719 639
PAYE, UIF & SDL		
Opening balance	6 524 248	7 414 710

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
17. Employee related costs (continued)		
Council subscriptions	3 753 522	3 655 293
Amount paid - current	(3 289 979)	-
Amount paid - previous years	(6 524 248)	(4 545 755)
Balance unpaid (included in payables)	463 543	6 524 248
Pension and Medical Aid		
Opening balance	502 393	132 110
Council subscriptions	3 932 061	2 090 327
Amount paid - current	(3 594 282)	(1 720 044)
Amount paid - previous years	(502 393)	-
Balance unpaid (included in payables)	337 779	502 393
18. Remuneration of councillors		
Executive Mayor	249 340	213 832
Cellphone Allowances	370 157	319 086
Councillors Allowances	4 256 185	4 334 761
Travel Allowances	1 517 675	1 192 632
	6 393 357	6 060 311
19. Finance costs		
Other interest paid	82 357	495 381
20. Auditors' remuneration		
Opening for previous year	44 141	248
Current year Audit Fees	1 262 085	1 610 803
Current year fees paid	(1 166 626)	(1 566 910)
Balance unpaid (Included on Payables)	139 600	44 141
21. Contracted services		
Specialist Services	348 779	-
Other Contractors	511 579	545 234
	860 358	545 234

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
22. Cash generated from operations		
Surplus	12 462 248	3 568 413
Adjustments for:		
Depreciation and amortisation	3 380 301	15 976 813
Debt impairment/ (Reversal)	(1 036 122)	2 038 474
Other non-cash items	-	(1 968 730)
Changes in working capital:		
Trade and other receivables from Exchange Transactions	(2 114 046)	727 864
Other receivables	163 803	(1 187 364)
Movements in the provision	1 036 122	(2 038 474)
Trade and other payables	(7 303 311)	1 115 186
VAT	(152 508)	180 013
Unspent conditional grants	3 748 918	(861 209)
	10 185 405	17 550 986

23. Commitments

Commitments in respect of Capital Expenditure

Already contracted for and Approved

• Community	11 899 497	2 845 933
• Other	-	954 768
• Infrastructure	3 728 927	430 717
	15 628 424	4 231 418

Approved but not yet contracted for

• Infrastructure	-	17 558 000
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24. Contingencies

Litigation Details

Nhlangothi Construction	-	50 000
	-	75 000

25. Change in Accounting Estimates (2012)

During 2012 financial year management reviewed the conditions of all assets. During the review process useful lives of assets were reviewed from prior year. The revision of estimated resulting in an increase in current year charge of depreciation by of R 13,879,400. The breakdown per asset class below;

	Opening Acc Dep	Closing Acc Dep	Effect of review of estimated
Buildings	1 589 252	2 730 073	1 140 821
Infrastructure	2 607 355	6 785 832	4 178 477
Community Assets	2 388 720	10 552 353	8 163 633
Other PPE	3 426 522	3 822 991	396 469
Total	10 011 849	23 891 249	13 879 400

26. Correction of an Error (2013)

During 2013 financial year an adjustment of R 1 968 730 was made to the Accumulated Surplus. The amount of R 182 547 relates to the stale and cancelled cheques that were not presented for payment in the previous financial year. The amount of R 1 786 182 relates to the restatement of the Unspent Housing Grant that was incorrectly disclosed in the prior year. The following balances has been restated as follows:

Mfolozi Local Municipality

Annual Financial Statements for the year ended 30 June 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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26. Correction of an Error (2013) (continued)

26.1 Unspent Housing Grant

Balance previously reported	-	1 819 977
Adjustment	-	(1 786 182)
Adjusted Balance	-	33 795

The balance was restated due to housing grant confirmation received from the Department .

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Cash Flow Statements

Cash and Other Cash Equivalents

Balance previously reported	-	17 573
Restatement	-	182 547
Restated Balance	-	200 120

Impact of change on accumulated Surplus

Bank	-	182 547
Housing Grant	-	1 786 183
Restated Balance		(1 968 730)

27. Going concern

Management acknowledges the unfavourable financial health of the Municipality, characterised by Payables (Note 11) of R 16 362 704 and grants not cashed back . Despite this the guaranteed equitable share allocations that inject cash on continuous basis .

28. Unauthorised and Irregular expenditure

Opening Balance	13 709 049	4 735 482
	-	9 834 776
Conditional grants not cash backed	-	3 874 273
Condoned or written off by Council	-	(4 735 482)
Unauthorised and irregular expenditure awaiting condonement	13 709 049	13 709 049

29. Fruitless and wasteful expenditure

Opening Balance	873 107	1 890 885
Interests and Penalties-SARS	-	873 107
	-	(1 890 885)
Fruitless and wasteful expenditure awaiting condonement	873 107	873 107

Appendix C

June 2013

Segmental analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Under Construction Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Under Construction Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
69 407 353	11 472 130	-	20 497 064	-	-	101 376 547	(25 988 662)	-	-	(3 380 301)	-	(29 368 963)	72 007 584
69 407 353	11 472 130	-	20 497 064	-	-	101 376 547	(25 988 662)	-	-	(3 380 301)	-	(29 368 963)	72 007 584

Municipality

Executive & Council/Mayor and Council

Appendix D

June 2013

Segmental Statement of Financial Performance for the year ended Prior Year 2012 Current Year 2013

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	8 467 297	(8 467 297)	Executive & Council/Mayor and Council	-	8 378 945	(8 378 945)
50 128 986	16 464 065	33 664 921	Finance & Admin/Finance	53 845 333	16 810 241	37 035 092
15 726 299	25 580 250	(9 853 951)	Planning and Development/Economic Development/Plan	525 653	10 571 878	(10 046 225)
301 573	12 039 364	(11 737 791)	Corporate services	9 398 870	13 078 146	(3 679 276)
-	-	-	Comm. & Social/Libraries and archives	-	2 468 398	(2 468 398)
66 156 858	62 550 976	3 605 882		63 769 856	51 307 608	12 462 248

June 2013

	Prior Year 2012	Current Year 2013
Segmental Statement of Financial Performance for the year ended		

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			